

The Link between Societal Motivation and New Venture Performance: Evidence from Entrepreneurs in Japan

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Abstract:

Although there has been an increase in the popularity of social entrepreneurship, previous studies have paid little attention to for-profit entrepreneurs' motive of making a contribution to the society, that is, societal motivation. In this study, we focus on societal motivation and analyze its link with for-profit ventures' outcomes, such as likelihood of novelty, external financing, size, and sales. Using samples of Japanese entrepreneurs, we find support for our hypotheses that new ventures established by for-profit entrepreneurs with societal motivation are more novel and that these ventures achieve larger size and sales compared to the ventures of other for-profit entrepreneurs who lack such motivation. However, our findings also indicate that the ventures of for-profit entrepreneurs with societal motivation receive less external financing compared to those with merely economic motivation.

Bien que l'on rencontre une popularité croissante de l'entrepreneuriat social, les études précédentes se sont peu attachées aux motivations des entrepreneurs à but lucratif à apporter leur contribution à la société, en d'autres termes, à la motivation sociétale. Cette étude est centrée sur la motivation sociétale et analyse le lien entre celle-ci et les résultats des entreprises, telles que la probabilité d'innovation, les financements extérieurs, la taille et les ventes. En nous appuyant sur des échantillons d'entrepreneurs japonais, nous avons pu étayer nos hypothèses selon lesquelles les entreprises nouvellement créées par des entrepreneurs à but lucratif ayant une motivation sociétale sont plus novatrices et que ces entreprises atteignent une taille et des ventes bien plus importantes que les entreprises d'autres entrepreneurs à but lucratif qui ne possèdent pas cette motivation. Néanmoins, les résultats de notre étude indiquent également que les entreprises d'entrepreneurs à but lucratif ayant une motivation sociétale reçoivent moins de financement extérieur, contrairement à celles qui ont une motivation purement économique.

Keywords: entrepreneurship | motivation | likelihood of novelty | legitimacy | new venture performance | Japan | entreprenariat | probabilité d'innovation | légitimité | performances d'une nouvelle entreprise | Japon

Article:

Introduction

It is increasingly recognized that engagement in social entrepreneurship can be seen in organizations of all types and forms such as those organized as not-for-profit, for-profit, and 'hybrid' (Mair and Marti 2006; Murphy and Coombes 2009; Peredo and McClean 2006; Weerawarden and Mort 2006). Most of the prior research in this area, however, has focused on not-for-profit and 'hybrid' forms. Some attention has also been given to social entrepreneurship in the informal economy (e.g., Williams and Nadin 2012, 2013). However, entrepreneurial activities with societal goals and concerns as a major motivational factor in for-profit firms, especially in the formal sector, have received very little attention. Marshall observed that the paucity of prior research and theory on social entrepreneurship among for-profit firms may be due to the 'perceived incongruence between for profit status and social mission primacy' ((2011) 183).

The discussion on social entrepreneurship can be linked to a strand of literature that analyzes motivation as a determining factor of entrepreneurs' choice and behavior (Robichaud et al. 2013; Day and Hudson 2010; Everett and Watson 1998; Hughes 2006; Kauanui et al. 2010; Shane, Locke, and Collins 2003). Previous studies have identified motives such as need for achievement, independence, wealth, and status as reasons to start a business (e.g., Benzing, Chu, and Kara 2009; Collins, Hanges, and Locke 2004; Jenssen and Kolvereid 1992; McClelland 1961). In addition, the field of social entrepreneurship acknowledges the altruistic motive of socially conscious individuals who establish ventures to address social needs and contribute to the society (Zahra et al. 2009; Austin, Stevenson, and Wei-Skillern 2006). This issue has drawn enormous attention among scholars and policy makers, and has sparked debate about how social entrepreneurs should be identified and whether social entrepreneurship should be considered as a distinct type of entrepreneurship (Dacin, Dacin, and Matear 2010).

Furthermore, two problems still remain in the literature linking motivation to entrepreneurship. First, most studies have assumed that economic gains and self-interests are the most salient motives for for-profit ventures and that the motive for benefiting the society generally drives the establishment of nonprofit ventures only (Nga and Shamuganathan 2010). As noted by Amit, MacCrimmon, and Oesch, 'the terms "wealth" and "entrepreneurship" are inextricably linked in the minds of many people, including researchers' (2000, 121). This is not surprising since the framing of entrepreneurship in the past literature within economic theory assumes entrepreneurs' opportunistic pursuit of economic wealth and personal gains (Nga and Shamuganathan 2010). This poses an important gap in the entrepreneurship literature as it is increasingly recognized that engagement in social entrepreneurship, as noted earlier, can be seen in organizations of all types and forms such as those organized as not-for-profit, for-profit, and 'hybrid' (Mair and Marti 2006; Murphy and Coombes 2009; Peredo and McClean 2006; Weerawarden and Mort 2006). Specifically, there are instances of for-profit organizations that create both economic

and social values (Acs, Boardman, and McNeely 2013; Phills, Deiglmeier, and Miller 2008; Tan, Williams, and Tan 2005). Indeed, Kotler, Kartajaya, and Setiawan (2010) argue that the market is now in need of and more responsive to firms that aim to contribute to the society.

Second, the lack of research on the relationship between founder's personal disposition and the entrepreneurial firm's strategic orientation and performance outcomes is pointed out as a major deficiency in the prior research on entrepreneurship (Deshpandé, Kim, and Ofek 2013). Thus, we still lack understanding of how entrepreneurs' motive for benefiting the society is related to new ventures' early performance. Prior studies have provided evidence on the relationship between motivation and new venture performance in ventures undertaken with various motives such as economic gains, achievement, independence, and competence (Barba-Sánchez and Martínez-Ruiz 2009).

In order to fill these gaps, this study focuses on for-profit entrepreneurs' desire to contribute to the society, that is, societal motivation. We consider these entrepreneurs as social entrepreneurs who aspire to create social value and address social issues through market-based solutions. We examine the influence of societal motivation on outcomes that are determined at the early stage of new ventures' development – likelihood of novelty, external financing, sales, and growth. Specifically, this paper examines the following research questions. (RQ1) Are for-profit businesses with societal motivation characterized by a high likelihood of novelty compared to similar businesses that lack such motivation? (RQ2) Are for-profit businesses with societal motivation likely to (a) achieve higher sales outcome performance; (b) expand into larger sizes; and (c) raise more external financing compared to similar businesses that lack such motivation?

Our approach coincides with the emancipatory view of entrepreneurship (Rindova, Barry, and Ketchen 2009, 78) that encourages researchers to study entrepreneurial efforts 'intended not only to create new wealth but also to bring about new states in relevant economic, social, institutional, and cultural environments.' We find strong support for our hypotheses that entrepreneurs' societal motivation is positively associated with new ventures' likelihood of novelty, sales, and size. However, our prediction on the positive association between entrepreneurs' societal motivation and new ventures' external financing is rejected. Our analyses show that new ventures founded by entrepreneurs with societal motivation receive less external capital financing than those ventures founded by entrepreneurs with merely economic motivation. These findings offer important implications for entrepreneurship research and practice that are discussed in the final section of this paper.

The remainder of the paper is structured as follows. First, we develop our hypotheses regarding the relationship between societal motivation and new venture outcomes, such as likelihood of novelty, sales, size, and external financing. Then, we provide a background on our research context – Japan. Next, we provide a description of our method. This is followed by a section on results and then by a section on discussion and implications. The final section provides concluding comments.

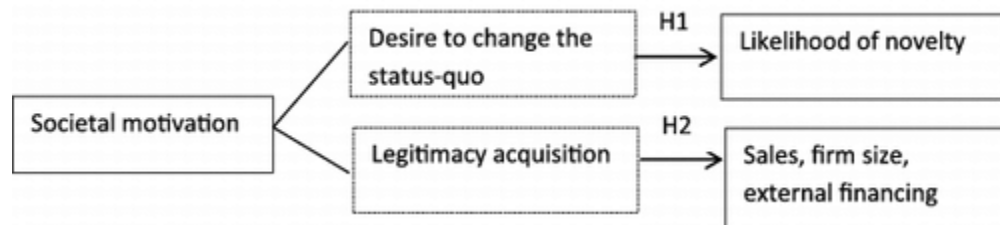
Motivation and entrepreneurship

McClelland (1961) is among the first to examine the relationship between motivation and entrepreneurship. He claims that people high in achievement motivation are more likely to become entrepreneurs. In support of McClelland, Collins, Hanges, and Locke (2004) find that achievement motivation is significantly correlated with entrepreneurial career choice. In a similar manner, Stewart and Roth (2007) find that compared to managers, entrepreneurs exhibit higher achievement motivation. In their study of entrepreneurship in Turkey, Benzing, Chu and Kara (2009) identify income increase, job security, and independence as primary reasons for entrepreneurs to start a business. Other studies also indicate that individuals may start a business out of necessity (Thurik et al. 2008).

The influence of motives for economic gains and self-interests on new venture performance has also been investigated. The study of Jenssen and Kolvereid (1992) finds that new ventures established by entrepreneurs with higher need for achievement and independence experience higher rate of survival. Furthermore, Smith, Bracker, and Miner (1985) show that high-tech ventures with higher levels of growth have higher levels of motivation. Using meta-analysis, Collins, Hanges, and Locke (2004) find support for their hypothesis that achievement motivation is significantly related to performance. In contrast, as cited by Barba-Sánchez and Martínez-Ruiz (2009), the studies of Birley and Westhead in 1994 and Lorrein, Dussault, and Belley in (1993) find that motivation has no significant effect on the survival and initial economic performance of new ventures, respectively.

The aforementioned studies on the relationship between motivation and new venture performance suggest that different types of motivation may have differential effects on performance. In addition, these studies indicate the need of measuring performance in multiple dimensions. Hence, in this paper, we examine the link between societal motivation and new venture performance using different measures of performance, such as likelihood of novelty, size, external financing, and sales; while controlling for other types of motivation in our analysis. [Figure 1](#) presents our conceptual framework for the link between motivation and new venture performance, which will be discussed in the next section.

Figure 1. The effect of societal motivation on likelihood of novelty, sales, firm size, external financing: A conceptual framework.



Hypotheses

Even though researchers are aware that new ventures differ in the likelihood of novelty, the entrepreneurship literature has paid limited attention to contexts and mechanisms that lead to innovative rather than imitative ventures (Jennings, Jennings, and Greenwood 2009). In this

regard, the study of Cliff, Jennings, and Greenwood (2006) is an exception. This study shows that innovative ventures are driven by entrepreneurs' greater experience in organizations that adopt alternative business practices instead of prevailing or dominant practices, and lack of confidence in the morality of prevailing practices. In other words, the entrepreneurs of innovative ventures tend to possess knowledge and motivation to challenge the status quo. In addition, Koellinger (2008) finds that high educational attainment, unemployment, and a high degree of self-confidence lead to innovative rather than imitative ventures. In general, these studies suggest that the personal characteristics of entrepreneurs likely determine the likelihood of novelty of their ventures.

In this study, our interest is in product-market innovation, that is, the extent to which an entrepreneur creates a venture that offers products or services to target markets, which differ from an industry's prevailing product or service offerings. We propose that the societal motivation of entrepreneurs may influence the product-market innovation of their ventures. Prior researchers have noted that entrepreneurs often use new organizational form and innovative business models in order to deliver social value (Zahra and Wright 2011). Researchers have also suggested that entrepreneurs who aim to create social value often face pressures of managing multiple stakeholders with conflicting demands that require a higher level of creativity and innovation (Morris, Webb, and Franklin 2011).

In addition, entrepreneurs with societal motivation possess an empowered feeling of greater meaning and purpose (Kauanui et al. 2010), and are more likely to question the social value of existing products or services (Rindova, Barry, and Ketchen 2009). Hence, they are less susceptible to the status quo bias, which is defined as the tendency of individuals to prefer an existing state of affairs and adopt prevailing practices (Dyer, Gregersen, and Christensen 2008). Some researchers argue that for entrepreneurs to create social value, they must define themselves as important agents of systemic social change and come up with innovative solutions that produce exceptionally high social returns (Brooks 2008; Leadbeater 1997; Nicholls 2006, 2010).

As claimed by the emancipatory view of entrepreneurship (Rindova, Barry, and Ketchen 2009, 480–481), entrepreneurs strive to 'imagine and create a better world' by 'creating and amplifying cracks in otherwise stable (and potentially rigidified) social and economic relationships that impose constraints on certain types of activities that the entrepreneur him/herself and other members of their social world may value.' Hence, individuals who see entrepreneurship as a means to contribute to the society are more attentive and dedicated to creating new possibilities and solutions in their environments that other firms may have overlooked or rejected. They are more likely to change or abandon conventional practices and engage in sustained trial and error to improve value creation for the society.

Such enhanced tendency of entrepreneurs with societal motivation to question the prevailing 'rules of the game' may therefore lead to social entrepreneurship that may create both social and economic values, driving innovation (Shaw and Carter 2007). As argued by Leadbeater, 'social entrepreneurs will be one of the most important sources of innovation. Social entrepreneurs identify under-utilized resources—people, buildings, equipment—and find ways of putting them to use to satisfy unmet social needs. They innovate new welfare services and new ways of delivering existing services' (1997, 8).' Based on these arguments, we hypothesize that:

Hypothesis 1. A new venture founded by a for-profit entrepreneur who has a societal motivation has a higher likelihood of novelty than a venture founded by a for-profit entrepreneur who lacks such motivation.

A new venture's performance is tightly linked to legitimacy provided by diverse categories of stakeholders (Zimmerman and Zeitz 2002). Following Suchman (1995, 574), legitimacy is defined as 'a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions.' As explained by Zimmerman and Zeitz, 'the motivating factor for external actors to give resources is their *belief* or *feeling* that the venture is indeed competent, efficient, effective, worth, appropriate, and/or needed' (2002, 416).

One way in which entrepreneurs' societal motivation may help build legitimacy for their ventures is through a stronger appeal to values and ethics. Kotler, Kartajaya, and Setiawan (2010) argue that the market is now in need of and more responsive to firms that aim to contribute to the society. Hence, for entrepreneurs, their social mission is an important source of legitimacy (Dacin, Dacin, and Matear 2010; Suchman 1995; Surie and Ashley 2008). Hosmer (1994) argues that values should be integrated into management processes in order to build trust with various internal and external stakeholders, which, in turn, generate commitment and ensure cooperative and innovative effort from the stakeholders.

Through the perspective of corporate identity, Berrone, Surroca, and Tribó (2007) suggest that a new venture's ethical stance is a component of its corporate identity that can be a source of competitive advantage. Driven by their focus on meeting social goals, entrepreneurs with societal motivation are less likely to be corrupted and their actions are likely to be more ethical and value-oriented that may appeal to diverse stakeholders (Rindova, Barry, and Ketchen 2009). For instance, employees in an organization with societal motivation are likely to identify themselves with the organization. Researchers use the term 'organizational identification' to describe this phenomenon, which is defined as 'a cognitive link between the definitions of the organization and the self' (Dutton, Dukerich, and Harquail 1994, 242). Dutton, Dukerich, and Harquail further argue that when people, especially employees of an organization 'identify strongly with the organization, the attributes they use to define the organization also define them' (1994, 239).

Researchers have expanded the idea of organizational identification beyond employees to include various categories of external stakeholders such as consumers (Bhattacharya and Sen 2003; Lichtenstein, Drumwright, and Braig 2004). For instance, in prior theoretical and empirical research, scholars have found evidence which suggests that a corporation's societal motivation is positively linked to consumers' attitudes toward and identification with the corporation (Lichtenstein, Drumwright, and Braig 2004).

Suchman (1995) identified two types of legitimacy issues that new ventures face: for passive acceptance and for active participation. Aldrich and Fiol (1994) argue that these are tightly linked to sociopolitical (formal) and cognitive (informal) legitimacy and note that when various stakeholders know about a venture's mission and find that they conform with the social norms and customs, they confer informal legitimacy. At the very least, an entrepreneur's social goal is

thus likely to lead to informal legitimacy or passive acceptance by the society (Aldrich and Fiol 1994; Suchman 1995; Townsend and Hart 2008).

Another way in which societal motivation leads to better performance is through entrepreneurs' commitment to provide products and services that create social value. As exemplified by large companies' focus on social-contribution activities and innovations, delivering products or services that ensure social contribution may lead to credibility in the market. For example, unlike most companies that first think of ways how to make profit, Google first thinks of ways how to solve problems and to provide useful and free services to its users, who, in turn, become its best advocates (Vise and Malseed 2005). Based on these arguments and examples, we hypothesize that:

Hypothesis 2. A new venture founded by a for-profit entrepreneur who has a societal motivation is more likely to – (a) achieve higher sales outcome performance; (b) expand into larger size; and (c) raise more external financing – compared to similar businesses that lack such motivation.

Methods

Research setting

We use samples of Japanese small business entrepreneurs to test our hypotheses. At this point, a comment regarding our selection of research setting is due. Prior entrepreneurship researchers have suggested that culture is an important factor shaping individual motivations, economic objectives, and socially accepted behavior (Aoyama 2009; Casson 1982; Chell, Haworth, and Brearley 1991). The Japanese culture possesses a number of unique and idiosyncratic characteristics, which make it an ideal laboratory and offers an interesting setting for the study of the relationship between entrepreneurs' societal motivation and entrepreneurial performance. Compared to people in most other countries, the Japanese are found to have a lower preference for self-employment and less positive attitude toward capitalism. According to the 2009 Eurobarometer Survey on Entrepreneurship, among the surveyed countries, the weakest preference for self-employment was in Japan: only 39% Japanese (compared to 71% Chinese) preferred to be self-employed (ECEI 2010). Likewise, in a 2009 Global Attitudes Survey conducted by the Pew Research Center, the proportion of respondents agreeing to the question: 'most people are better off in a free market economy, even though some people are rich and some are poor,' was 41% for Japan (compared to 79% in China, 65% in Poland, and 51% in Russia).

Entrepreneurs in Japan are also found to have profiles that are different from those other countries. A comparative study of Japan and the USA showed that entrepreneurs in Japan had significantly different personal characteristics than managers of large corporations. Silicon Valley entrepreneurs, on the other hand, showed less personality differences with managers from large corporations (Ohe et al. 1991). Finally, cross-national studies on entrepreneurship have indicated that Japan's entrepreneurial motivations exhibit generally lower levels of growth orientation (Ohe et al. 1991; Suzuki, Kim, and Bae 2002). Indeed, Bosma et al. (2007) found that entrepreneurs in Japan performed the lowest on growth motivation among the countries studied.

It might be thus interesting to see if societal orientation is related to the performance of Japanese entrepreneurial firms.

Data

This study uses data from the ‘Survey on Business Start-ups in Japan (2007, 2008, and 2009), which is provided by the Social Science Japan Data Archive, Center for Social Research and Data Archives, Institute of Social Science, The University of Tokyo. This survey is carried out by the Research Institute of Japan Finance Corporation (JFC) (The former Research Institute of National Life Finance Corporation), which is a Japanese-government-affiliated financial institution. This is arguably the most comprehensive and the largest questionnaire-based survey of new ventures in Japan used in previous studies (e.g., Harada 2004), and hence can be considered as among the most suitable and appropriate dataset for the current study. The respondents are founders who are in the 40s on average, and whose business is small and young. The venture size ranges from 0 to 91 employees while venture age ranges from 0 to six years. There are only 3 samples of which venture age is greater than three years and 38 samples of which venture size is greater than 10 employees. The estimation results remain unchanged when these samples are excluded from the analysis. Accordingly, our analysis includes samples that responded to all questions used for the estimations, resulting in a total of 2328 observations.

Dependent variables and analytic techniques

To test hypothesis 1, we use the likelihood of novelty as the dependent variable, which takes a value of 1 if the entrepreneurs indicate that the new venture offers products/services, or targets markets that are largely different from those of the existing enterprises, and 0 otherwise. For the analysis, we use a maximum-likelihood logit model that is appropriate for estimating categorical variables, such as dummy or binary variables and polychotomous variables (Kennedy 1998). Unlike linear models for continuous data, the logit model guarantees that the estimated probabilities will be within the 0–1 range.

To test hypothesis 2, we use three measures of performance: sales, size, and external financing. Each of these indicators represents resource holders (i.e., customers, employees, and outside investors) who make quality judgments through careful consideration of the new venture's viability. The sales-dependent variable is set to 1 if the entrepreneur indicates that the new venture's sales performance is increasing and 0 otherwise. We also estimate the new venture's sales performance using a maximum-likelihood logit model. The second indicator, size, is measured as the total number of full-time employees, excluding part-time employees who may not make quality judgments of the new venture. We use logarithmic transformation to normalize this variable. To estimate the new venture's size, we use a pooled cross-sectional ordinary least square (OLS) regression. The third indicator of new venture legitimacy, external financing, is measured as a ratio of the new venture's external financing to its total capital. The new venture's external financing includes loans from the JFC, private banks, and credit associations, and venture capital investments, which are obtained through a diligence process of financial institutions. Since the external financing variable is bounded between 0 and 1, OLS regression will bias the estimation results (Cameron and Trivedi 2010). Hence, we use the Tobit regression

model, which is appropriate for estimating left- or right-censored-dependent variable such as the case of the external financing variable.

Given that our data are taken from a questionnaire-based survey of for-profit entrepreneurs in Japan, our measures, including the likelihood of novelty and sales performance, are self-reported. However, it is worth noting that this approach is often used by prior researchers and considered to be a valid approach (e.g., Chen et al. 2013). While it is advisable to complement our self-reported data with observational data or other secondary data (i.e., objective data), such data are often unavailable for new ventures as used in our study. Nonetheless, we address this issue as our limitation in the discussion section.

Independent and control variables

The independent variables in this study are entrepreneurial motivations. In creating these variables, we use entrepreneurs' response to the question where they are asked to choose only one prime motive for starting their new venture. Ten categories of entrepreneurial motivations are identified. Of particular importance to this research is societal motivation. This variable takes a value of 1 if the entrepreneur's motive is 'to make a contribution to the society' and 0 otherwise. The dummy variables for other categories of entrepreneurial motivation are also created and included in the model. The base category is the motive 'to increase income.' Table 1 reports the breakdown of entrepreneurial motivations.

Table 1. Distribution of entrepreneurial motivations.

Entrepreneurial motivations		Number of entrepreneurs	Percentage
1	To make a contribution to the society	100	4.3
2	To increase income	277	11.9
3	To have personal freedom	371	15.94
4	For own interest in managing a business	288	12.37
5	To realize business ideas	331	14.22
6	To use experience and knowledge	691	29.68
7	To use skills	47	2.02
8	To work regardless of age and gender	43	1.85
9	Unavailability of a suitable workplace	59	2.53
10	Others	121	5.2
Total		2328	100

To provide a more accurate estimate of the relationship between for-profit entrepreneurs' societal motivation and new ventures' performance, we include a number of controls in the analysis. We control for other personal characteristics of entrepreneurs that previous studies have found to influence entrepreneurial outcomes including age, business experience, educational background, and gender (Cliff, Jennings, and Greenwood 2006; Koellinger 2008; Shane 2000). Business experience is the number of years of job experience related to the current business of the new venture. Although the effect of higher education is inconclusive, Lee and Tsang (2001) have reported a significant effect of higher education on new venture outcome. Hence, we include two dummy variables that indicate higher educational attainment of the entrepreneur: undergraduate

degree and graduate degree. The undergraduate degree variable is coded as 1 if the entrepreneur has earned a college degree and 0 otherwise. The graduate degree variable is coded as 1 if the entrepreneur has earned a master's degree and 0 otherwise. We also control for the entrepreneur's gender. It is coded as 1 if the entrepreneur is male and 0 if female. To capture the effects of the new venture's characteristics, we also include new venture age and total capital as controls for new ventures' experience and financial capacity. We also include year dummy variables to control for time-fixed effects in all models.

Results

Table 2 shows the descriptive statistics and correlation matrix for all variables. Table 3 presents the results of regression analyses for new ventures' likelihood of novelty, sales, number of employees, and external financing.

Table 2. Descriptive statistics and correlation matrix.

Variables	Mean	SD	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1 Innovation	0.14	0.35														
2 Sales	0.48	0.50	0.13													
3 Number of employees	0.55	0.73	0.07	0.14												
4 External financing	0.56	0.29	-0.06	-0.05	-0.08											
<i>Entrepreneur's characteristics</i>																
5 Age	41.52	9.88	0.05	-0.13	0.11	-0.08										
6 Job experience	2.62	1.30	-0.04	-0.03	-0.26	0.06	-0.18									
7 Experience related to current business	14.56	9.83	-0.03	-0.08	0.12	-0.05	0.56	-0.35								
8 Undergraduate	0.28	0.45	0.10	0.06	0.11	-0.09	0.10	-0.11	-0.07							
9 Postgraduate	0.02	0.14	0.07	0.06	0.05	0.04	0.00	0.00	-0.02	-0.09						
10 Gender	0.86	0.35	0.00	0.04	0.12	-0.09	0.02	-0.39	0.21	0.12	0.02					
11 New venture's age	1.13	0.44	0.05	0.01	0.14	-0.26	0.07	-0.06	0.05	0.01	0.04	0.05				
12 Capital	0.35	0.57	0.06	0.09	0.36	0.03	0.18	-0.19	0.18	0.15	0.10	0.09	0.03			
13 Industry sales	1.45	1.39	0.06	-0.02	0.02	-0.08	0.21	-0.16	0.19	0.05	-0.01	0.12	0.11	0.15		
14 Societal motivation	0.04	0.20	0.14	0.06	0.07	-0.01	0.02	-0.03	-0.04	0.05	0.03	-0.02	-0.01	0.03	-0.04	
15 Economic motivation	0.12	0.32	-0.03	-0.04	-0.08	0.07	-0.02	0.08	-0.05	-0.01	0.01	0.03	0.00	-0.06	0.02	-0.08

Note: For brevity, statistics on other motivations are not reported. These data are available upon request.

Models 1 and 2 report the estimates for new venture novelty. Model 1 includes the baseline estimates with only the control variables. Among them, the entrepreneur's age, experience related to current business and higher educational background, new venture's age, industry sales, and year dummies are significant. The positive influence of entrepreneur's age and higher education on new venture novelty is consistent with the human capital theory (Becker 1975) and findings of Koellinger (2008). Older and graduate-degree-holding entrepreneurs are equipped with knowledge and capabilities to conceive innovative business ideas. Consistent with the finding of Cliff, Jennings, and Greenwood (2006), entrepreneurs with greater experience related to current business are less likely to form a novel venture. These entrepreneurs become more inert and comfortable with reproducing prevailing ideas or duplicating prevailing practices. Relatively older ventures are found to be more novel than younger ventures. The industry sales performance also positively influences the novelty of new ventures. As suggested by the estimates on year dummies, there is an increasing trend in the novelty of entrepreneurs observed between 2007 and 2009.

Table 3. Results of regression analyses for new ventures' likelihood of novelty, sales, number of employees, and external financing.

Variables	Likelihood of novelty		Sales		Number of employees		External financing	
	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7	Model 8
To make a contribution to the society (societal motivation)		1.51** (0.29)		0.54* (0.26)		0.31** (0.08)		-0.09* (0.04)
To have personal freedom		0.18 (0.25)		0.11 (0.17)		0.07 (0.05)		-0.06* (0.03)
For own interest in managing a business		0.03 (0.27)		0.21 (0.18)		0.30** (0.05)		-0.12** (0.03)
To realize business ideas		0.81** (0.24)		0.55** (0.17)		0.13* (0.05)		-0.09** (0.03)
To use experience and knowledge		-0.02 (0.24)		0.15 (0.15)		0.14** (0.05)		-0.05* (0.02)
To use skills		-0.42 (0.64)		0.44 (0.33)		-0.04 (0.10)		-0.21** (0.05)
To work regardless of age and gender		-0.37 (0.58)		0.32 (0.36)		0.1 (0.11)		-0.10+ (0.06)
Unavailability of a suitable workplace		-0.83 (0.63)		0.05 (0.31)		0.11 (0.09)		-0.01 (0.05)
Others		0.81** (0.30)		0.23 (0.23)		0.22** (0.07)		-0.07+ (0.04)
Entrepreneur's characteristics age/10	0.16* (0.07)	0.17* (0.08)	-0.29** (0.06)	-0.29** (0.06)	0.01 (0.02)	0.01 (0.02)	-0.01 (0.01)	-0.01 (0.01)
Related job experience/10	-0.23** (0.08)	-0.21** (0.08)	-0.01 (0.06)	0.01 (0.06)	0.03 (0.02)	0.03 (0.02)	-0.01 (0.01)	-0.01 (0.01)
College degree	0.44** (0.14)	0.43** (0.14)	0.17+ (0.10)	0.18+ (0.10)	0.08** (0.03)	0.08* (0.03)	-0.06** (0.02)	-0.06** (0.02)
Master's degree	0.94** (0.34)	0.88* (0.35)	0.38 (0.34)	0.4 (0.34) (0.10)	-0.03 (0.10)	-0.04 (0.10)	0.06 (0.05)	0.06 (0.05)
Gender	-0.08 (0.19)	-0.08 (0.19)	0.24+ (0.13)	0.25+ (0.14)	0.12** (0.04)	0.11** (0.04)	-0.06** (0.02)	-0.06** (0.02)
New venture's age	0.23+ (0.13)	0.25+ (0.13)	0.05 (0.10)	0.05 (0.10)	0.15** (0.03)	0.15** (0.03)	-0.21** (0.02)	-0.21** (0.02)
New venture's capital/1000	0.12 (0.10)	0.1 (0.10)	0.41** (0.10)	0.40** (0.10)	0.44** (0.03)	0.43** (0.03)	0.04** (0.01)	0.05** (0.01)
Industry sales/100,000	-1.09 (0.83)	-1.11 (0.84)	-0.84 (0.62)	-0.83 (0.62)	-0.12 (0.19)	-0.08 (0.19)	-0.20* (0.10)	-0.21* (0.10)
Likelihood of novelty			0.79** (0.13)	0.73** (0.13)	0.09* (0.04)	0.07+ (0.04)	-0.04+ (0.02)	-0.03 (0.02)
Year dummies	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Industry dummies	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Constant	-1.97 (1.21)	-2.17+ (1.25)	1.99* (0.90)	1.80* (0.91)	0.33 (0.28)	0.14 (0.28)	1.21** (0.15)	1.29** (0.15)
Observations	2328	2328	2328	2328	2328	2328	2328	2328
Chi-squared	80.01**	144.31**	199.71**	215.20**			293.37**	324.53**
R-squared					0.21	0.23		
Likelihood ratio test		64.30**		15.49+		47.94**		31.16**

(1) *Models 1-4 are Wald chi-squared values; models 7 and 8 are likelihood ratio chi-squared values.

(2) Standard errors in parentheses.

(3) + significant at 10%; * significant at 5%; ** significant at 1%.

Model 2 tests hypothesis 1 regarding the positive relationship between societal motivation and likelihood of novelty. This model adds the dummy variables of different entrepreneurial motivations reported in Table 1. The base category is the motive 'to increase income.' In support of hypothesis 1, the coefficient on societal motivation is positively significant ($p < .01$) and higher than the coefficients of non-societal motivations. This suggests that new ventures of entrepreneurs with societal motivation are more likely to be innovative than those of entrepreneurs with non-societal motivations.

Models 3-8 estimate new venture outcomes. Models 3 and 4 use sales, models 5 and 6 use employment, and models 7 and 8 use external financing as the dependent variables. The higher educational background of entrepreneurs is consistently positive and significant across models 3-6. This suggests that new ventures of entrepreneurs with higher educational background have greater access to human capital obtained through formal education. In contrast, other human capital variables such as entrepreneur's age and job experience are found to be negative and

significant in models 3 and 4 and models 5 and 6, respectively. This may have to do with the observation that older and experienced entrepreneurs are less likely to succeed (Harada 2003). In support of the argument that legitimacy increases with organizational age, the venture's age is positively related to employment size. The negative and significant effect of industry sales on employment size may indicate that prospective job candidates are skeptical about the viability of start-ups in large industries. To control for its possible relationship with new venture performance, the new venture novelty variable is included in the model. Its coefficients are positive and significant, except in models 7 and 8. These results suggest that while novel ventures perform better in terms of sales and size, imitative ventures are more capable to raise external funds.

Models 4, 6, and 8 test the prediction of hypothesis 2 that societal motivation has positive relationship with new venture legitimacy as measured by sales, size, and external financing. In support of hypothesis 2, the coefficient of societal motivation is positively significant ($p < .05$) and higher than the coefficients of non-societal motivations in models 4 and 6, except when compared with the coefficient of 'to realize business ideas' motive in model 4. Although the coefficient of 'to realize business ideas' motive (0.55) appears higher than that of societal motivation (0.54), the difference is found to be statistically insignificant. On the other hand, the coefficient of societal motivation is found to be negative and significant ($p < .05$) in model 8, rejecting hypothesis 2. It is important to note that the coefficients of other motivation categories are all negative. This suggests that new ventures of entrepreneurs with economic motivation receive the highest support from external capital holders. Hence, compared to new ventures of entrepreneurs with economic motivation, new ventures of for-profit entrepreneurs with societal motivation are more likely to achieve larger size and sales, but they tend to receive less external financing.

Discussion and implications

This paper addresses a question that has been a major concern for many entrepreneurship scholars: how do motivational differences influence entrepreneurial outcomes? Our study differs from previous studies since it focuses on for-profit entrepreneurs' motivation to contribute to the welfare of the society (i.e., societal motivation) and on its influence on new ventures' likelihood of novelty and performance outcomes. Using samples of Japanese small businesses owned by for-profit entrepreneurs, we find strong support for our hypotheses that new ventures established by for-profit entrepreneurs with societal motivation are more novel and that these ventures achieve larger size and sales compared to other ventures of for-profit entrepreneurs who lack societal motivation. However, these ventures receive less external financing, while new ventures of for-profit entrepreneurs with merely economic motivation receive more.

Our paper raises important issues in entrepreneurship and contributes to the literature in the following ways. First, studies on entrepreneurial motivation have tended to focus exclusively on entrepreneurs' egoistic motivations including achievement motivation, need for independence, and wealth attainment (e.g., Benzing, Chu, and Kara 2009; Collins, Hanges, and Locke 2004), and have given scant attention to altruistic motivations. Our emphasis on the societal motivation of entrepreneurs fills this gap and advances our understanding of motivational differences among entrepreneurs. Our finding on the stronger positive contributions of societal motivation compared

to other types of entrepreneurial motivation implies that failure to capture the societal motivation of entrepreneurs may bias the results of research on entrepreneurial motivation.

Second, our study contributes to the literature (Cliff, Jennings, and Greenwood 2006; Koellinger 2008) that addresses a core question in entrepreneurship: why are some entrepreneurs more innovative while some are more imitative? While controlling for individual, organizational, and environmental factors, our study shows that the start-up motivation of entrepreneurs influences the novelty of their ventures. While Cliff, Jennings, and Greenwood (2006) conclude that doubts about the functionality of established routines are not sufficient to drive entrepreneurs to be more innovative, our study shows that the motivation of entrepreneurs to contribute to the society significantly increases their tendency to act as innovative entrepreneurs.

Third, by using samples of for-profit organizations and capturing both economic and societal motivations of entrepreneurs, our study contributes to the social entrepreneurship literature that has been largely criticized for its focus on nonprofit and public policy issues (Short, Moss, and Lumpkin 2009). Efforts among for-profit organizations to pursue businesses that contribute to the welfare of the society validate our approach. As noted by Nga and Shamuganathan (2010), social entrepreneurship has become ‘a sustainable solution in integrating financial/economic interest and social value.’ In other words, social entrepreneurship offers a win-win solution both for businesses and the society. Indeed, our findings suggest that new ventures driven by their founder's desire to contribute to the society are more likely to be successful than other new ventures lacking of such motivation.

The aforementioned finding on the tendency of entrepreneurs with societal motivation to act more as innovative entrepreneurs also contributes to the social entrepreneurship literature. It supports the argument that social entrepreneurs are more innovative than commercial entrepreneurs (Leadbeater 1997; Shaw and Carter 2007). In addition, in the midst of critiques about a lack of agreement on the definition of social entrepreneurship, this finding reinforces definitions linking innovation and social value, including the definition of Austin, Stevenson, and Wei-Skillern, that social entrepreneurship is ‘innovative, social value creating activity that can occur within or across nonprofit, business, or government sectors’ (2006, 2).

Fourth, our study contributes to research on the topic of new venture legitimacy. Previous studies have emphasized the importance of acquiring legitimacy from different types of resource holders to new venture success. Yet, empirical evidences on legitimacy acquisition are mostly based on a single type of resource holder. This study fills this gap by including three types of resource holders such as customers, employees, and external capital resource holders. The evidence from this study complements the view that legitimacy is multidimensional and in the eye of the beholder (Zimmerman and Zeitz 2002). In this study, new ventures of entrepreneurs with societal motivation perform better as they may receive more legitimacy from customers and employees, but not from external capital holders. On the other hand, new ventures that are driven by economic motivation may gain more legitimacy from external capital resource holders. An implication of this finding is that the acquisition of legitimacy from different resource holders may require different strategies. It also implies greater challenge for new ventures of for-profit entrepreneurs with societal motivation to acquire legitimacy for raising external capital.

Despite the above contributions, our analyses contain a number of limitations. The cross-sectional nature of our analyses restricts our ability to capture the dynamic aspect of entrepreneurial motivation (Hessels, Van Gelderen, and Thurik 2008). For example, entrepreneurs who started their firm out of societal motivation may over time become motivated by achieving economic gains, or vice versa.

As a further limitation of our model, one might argue that one of the dependent variables (likelihood of novelty) is dichotomous rather than a range of values. This factor might affect our model's predictive strength. In addition, our indicators of novelty and sales performance are both self-reported and subjective valuations of entrepreneurs.

An additional limitation of this research concerns the same sample bias. However, it is natural that the comprehensiveness and large size of our database of new ventures, which we drew from a secondary source, is likely to come with such limitation. Finally, while our paper's analysis of Japanese entrepreneurs' makes important contributions to the literature, the limitations associated with Japan's unique culture also merit attention. More broadly, as with all single-country studies, our results based on Japanese entrepreneurs may not be generalizable to other countries.

Future research on this topic should help us better understand the phenomenon of entrepreneurial activities of for-profit entrepreneurs that are driven by societal motivation that is becoming increasingly popular, and perhaps find better ways of encouraging it. First, in order to capture the dynamic aspect of entrepreneurial motivation, it would be interesting to examine how changes in entrepreneurial motivation influence new venture performance outcomes. A related point is that, although we are able to analyze performance outcomes at the early stage of entrepreneurship by using only samples of new ventures, it still remains an empirical question whether entrepreneurial motivation has a lasting effect on entrepreneurial process and outcomes (Shane, Locke, and Collins 2003). A comprehensive panel data of new and established ventures would allow an examination of this issue.

In order to address the limitation related to self-reported and subjective measures of new ventures' likelihood of novelty and sales performance, future research could use objective and official data and measures to demonstrate robustness. Moreover, in future conceptual and empirical work, scholars need to compare and contrast societal motivation in various countries. While evidence, both anecdotal and from research, appears to suggest that entrepreneurs differ drastically across countries in terms of various motivations associated with the creation of their ventures, it remains unclear how the findings can be extended to societal motivation and legitimacy from the various stakeholders. For instance, according to the 2009 Global Entrepreneurship Monitor (GEM) report, proportionately more Chinese entrepreneurs than those in the USA are motivated by the desire to make money. The GEM study found that fewer than 40% of the Chinese entrepreneurs started businesses to have more independence, and more than 60% of them did so to increase their income. On the contrary, in the USA, only about 40% of the entrepreneurs start businesses to increase income, while almost 60% do so to gain more independence (Bosma et al. 2008). It is thus reasonable to expect that cross-country differences may exist in the contexts, mechanisms, and processes associated with societal motivation. An

intriguing line for further work thus would be to examine whether societal motivation has the same influence on new venture performance outcomes across countries.

Future researchers should also explore the antecedents of societal motivations. While we found that the existence of societal motivation is positively related to product innovation and legitimacy from customers and employees, we know very little about the factors that drive an entrepreneur's societal motivation. In this regard, the personal and environmental factors that lead to an entrepreneur's societal motivation are a worthwhile target of study.

Concluding comments

We examined the relationship between entrepreneurs' societal motivation and entrepreneurial performance in the context of Japan's unique culture. Our study adds to and extends the prior research on motivation and entrepreneurship by suggesting that the societal motivation of entrepreneurs has positive influence on the performance outcomes of new ventures. The analyses show that the new ventures of entrepreneurs motivated by making a contribution to the society are more likely to produce novel products or services, and to receive greater legitimacy from customers and employees. However, these ventures may be at disadvantage in winning support from external capital holders compared to new ventures of entrepreneurs motivated by making financial gains. Policy makers, particularly those in Japan, should be aware that entrepreneurs motivated by making a contribution to the society are likely to contribute to the country's innovation and economic revival, and thus, should develop policies that encourage such type of entrepreneurship. In addition, external capital holders should reconsider their assessment of entrepreneurs with societal motivation who in fact are found in this study to more likely gain support from the customer and labor markets at early stage, which may imply a greater likelihood of success and survival.

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